

## Message Text

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E.O. 11652: XGDS-2

TAGS: EG, IS, PINR

SUBJECT: INTSUM 608 - JULY 18, 1978

LONDON FOR KINSOLVING  
PARIS FOR NICHOLAS MURPHY  
OTHER ADDRESSEES FOR CHIEFS OF MISSION

1. ISRAEL. EMBASSY TEL AVIV REPORTED THAT THE ISRAELI PRESS IS SPECULATING ON WHAT SADAT TOLD WEIZMAN DURING THEIR SALZBURG MEETING AND ON WHAT PROPOSALS FROM SADAT WEIZMAN BROUGHT HOME WITH HIM. EDITORIAL OPINION, AT THE SAME TIME, IS LARGELY NEGATIVE ON THE CABINET'S DECISION TO POSTPONE DISCUSSION OF THE SADAT PROPOSALS CONVEYED BY WEIZMAN. THE JERUSALEM POST GAVE THE MOST DETAILED PRESENTATION OF THE SUPPOSED PROPOSALS, SAYING THAT THEY INCLUDED:

(A) THE RETURN OF THE WEST BANK TO JORDAN AFTER A FIVE-YEAR INTERIM PERIOD UNDER THE ADMINISTRATION OF A JOINT JORDAN-ISRAEL-WEST BANK COMMITTEE;

(B) ISRAEL'S RETENTION OF ITS SETTLEMENTS AND OF A SECURITY PRESENCE ON THE WEST BANK;  
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(C) THE DEMILITARIZATION OF PART OF THE AREA  
ISRAEL WILL WITHDRAW FROM;

(D) A SIMILAR SET OF ARRANGEMENTS FOR GAZA; AND

(E) PROVISIONS TO SOLVE THE SINAI AIRBASE PROBLEM,  
PERHAPS BY DECLARING ONE A CIVILIAN BASE.

2. ISRAEL'S ECONOMY IS NOW EMERGING FROM THE ECONOMIC CRISIS IT ENTERED FOLLOWING THE 1973 WAR. ACCORDING TO EMBASSY TEL AVIV, EXTRAORDINARY DEFENSE EXPENDITURES, THE WORLD RECESSION, AND THE QUADRUPLING OF OIL PRICES HAD BROUGHT ON A SEVERE BALANCE OF PAYMENTS CRISIS. THE GOVERNMENT MET THIS PROBLEM IN PART WITH RESTRICTIVE GROWTH POLICIES WHICH SEEM TO HAVE WORKED. THE BALANCE OF PAYMENTS PICTURE IS MUCH IMPROVED, AND THE RATE OF GNP GROWTH APPEARS TO BE INCREASING. THE MAIN TRENDS OF THIS IMPROVEMENT WERE ESTABLISHED UNDER THE LABOR GOVERNMENT, BUT LIKUD'S "NEW ECONOMIC POLICY" HAS PROBABLY HELPED.  
(CONFIDENTIAL)

3. EGYPT. THE JULY 12 MEETING OF THE GOVERNORS OF THE GULF ORGANIZATION FOR THE DEVELOPMENT OF EGYPT (GODE) APPEARS TO HAVE FOCUSED ON HOW ASSISTANCE CAN BE GIVEN TO EGYPT, ON THE TACIT ASSUMPTION THAT ASSISTANCE WILL BE NECESSARY. EMBASSY KUWAIT LEARNED THAT THE FOLLOW-UP WILL BE BETWEEN THE SAUDIS AND THE EGYPTIANS, WHO WILL DEAL WITH KUWAIT. THE KUWAITIS BELIEVE, HOWEVER, THAT PROSPECTS FOR A SUFFICIENT LEVEL OF KUWAITI AID TO EGYPT WILL BE DEPENDENT ON WHETHER SADAT IS SUCCESSFUL IN HIS PEACE NEGOTIATIONS WITH THE ISRAELIS. (CONFIDENTIAL)

4. LEBANON. EMBASSY BEIRUT REPORTS THAT INITIAL REACTION TO SARKIS' SPEECH HAS BEEN MIXED AT BEST. WHILE APPLAUDING HIS DECISION NOT TO RESIGN, POLITICANS GENERALLY  
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EXPRESSED DISAPPOINTMENT THAT HE HAD NOT PROPOSED FORCEFUL MEASURES. (LIMITED OFFICIAL USE)

5. YEMEN. THE YAR CONSTITUENT ASSEMBLY ON JULY 17 CHOSE LT. COL. ALI ABDALLAH SALIH TO BE THE NEW PRESIDENT OF THE REPUBLIC AND COMMANDER-IN-CHIEF OF THE ARMED FORCES. SALIH, FORMERLY CHIEF OF STAFF AND A MEMBER OF THE FOUR-MAN PRESIDENTIAL COUNCIL SINCE THE ASSASSINATION OF PRESIDENT AL-GHASHMI IN LATE JUNE, WAS CONSIDERED THE FRONT-RUNNER FOR THE POSITION. HE IS A STRONG LEADER, CONSERVATIVE, PRO-WESTERN, AND FAVORED BY THE SAUDIS DESPITE THE WIDELY HELD VIEW THAT HE WAS AN ACCESSORY TO

THE MURDER OF YAR PRESIDENT HAMADI IN OCTOBER 1977. FOR THE SHORT TERM, SALIH CAN BE EXPECTED TO PURSUE A POLICY IN FURTHERANCE OF US GOALS IN THE AREA, I.E., STRENGTHENING YEMENI-SAUDI RELATIONS, TAKING A FIRM STAND AGAINST SOUTH YEMEN, AND PROMOTING A MORE VIGOROUS MILITARY DEFENSE PROGRAM. (CONFIDENTIAL) CHRISTOPHER

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## Message Attributes

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